

IKM-MANNING COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

Table of Contents

Officials		<u>Page</u> 1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Position	G	21
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	24
Statement of Changes in Fiduciary Net Position	K	25
Notes to Financial Statements		26-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		43
Notes to Required Supplementary Information - Budgetary Reporting		44
Schedule of the District's Proportionate Share of the Net Pension Liability		45
Schedule of District Contributions		46
Notes to Required Supplementary Information - Pension Liability		47-48
Schedule of Funding Progress for the Retiree Health Plan		49
	<u>Schedule</u>	
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52
Capital Project Accounts:		
Combining Balance Sheet	3	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	54
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	55
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	56
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		57-58
Schedule of Findings and Responses		59-61

IKM COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
David Heller	President	2015
Amy Ferneding	Vice President	2017
Lynn Barry	Board Member	2015
Scott Hodne	Board Member	2015
Eric Ramsey	Board Member	2017
Sam Hansen	Board Member	2017
Jim Thraen	Board Member	2017
School Officials		
Dr. Thomas Ward	Superintendent	
Beth Dickson	Board Secretary	

Gary E. Horton CPA

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Independent Auditor's Report

To the Board of Education of
IKM-Manning Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of IKM-Manning Community School District, Manilla Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of IKM-Manning Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 12 to the financial statements, IKM-Manning Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial

Reporting for Pensions . an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 43 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise IKM-Manning Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2016 on our consideration of IKM-Manning Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering IKM-Manning Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

IKM-Manning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of IKM-Manning Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report IKM-Manning Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which IKM-Manning Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
IKM-Manning Community School District Annual Financial Report

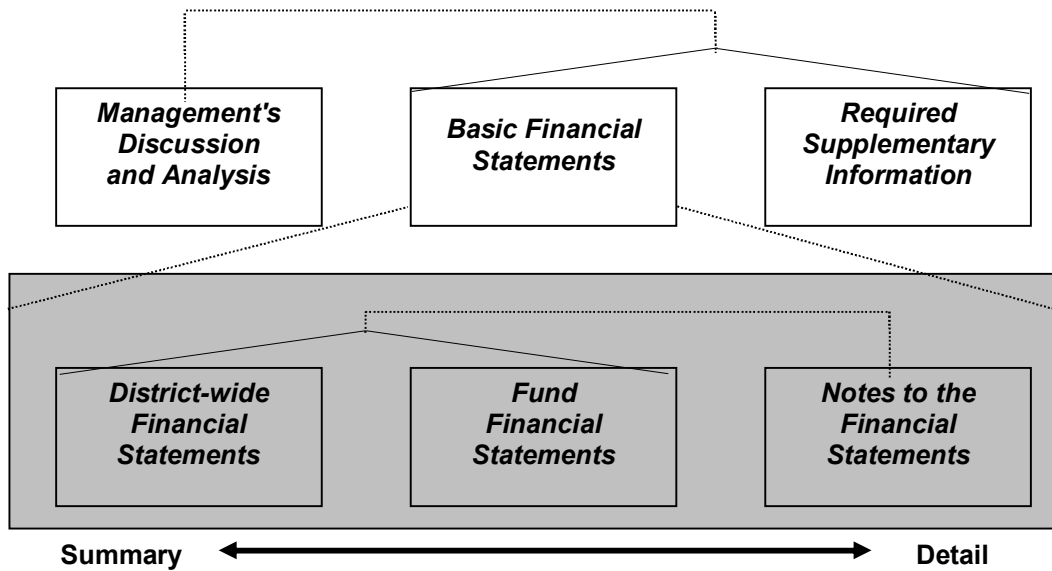


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/ inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the

difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- **Private-Purpose Trust Fund .** The District accounts for outside donations for scholarships for individual students in this fund.

- **Agency Funds** . These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3

Figure A-5

	Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
	\$	\$	\$	\$	\$	\$	%
Current and other assets	9,882,287	9,600,101	(21,810)	(37,026)	9,860,477	9,563,075	2%
Capital assets	2,707,638	2,856,945	47,900	58,291	2,755,538	2,915,236	-5%
Total assets	12,589,925	12,457,046	26,090	21,265	12,616,015	12,478,311	1%
Deferred outflows of resources	19,038	-	15,561	-	34,599	-	100%
Long-term liabilities	4,607,033	2,136,930	90,592	8,703	4,697,625	2,145,633	119%
Other liabilities	963,431	855,499	30,293	36,127	993,724	891,626	11%
Total liabilities	5,570,464	2,992,429	120,885	44,830	5,691,349	3,037,259	87%
Deferred inflows of resources	4,189,030	3,545,615	50,235	4,908	4,239,265	3,550,523	19%
Net Position:							
Net investment in capital assets	1,162,638	1,131,945	47,900	58,291	1,210,538	1,190,236	2%
Restricted	3,157,293	2,644,826	-	-	3,157,293	2,644,826	19%
Unrestricted	(1,470,462)	2,142,231	(177,369)	(86,764)	(1,647,831)	2,055,467	-180%
TOTAL NET POSITION	2,849,469	5,919,002	(129,469)	(28,473)	2,720,000	5,890,529	-54%

The District's combined total net position decreased 54%, or \$3,170,529, below the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$512,467 or 19% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund and pension liabilities.

Unrestricted net position . the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased \$3,703,298 or 180%. This decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27 were implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,955,574 and \$113,947, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4

Figure A-4

	Change in Net Position						Percentage Change
	Governmental Activities		Business-type Activities		Total School District		
	2015 \$	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	2015 \$	2014 (not restated) \$	
Revenues							
Program Revenues:							
Charges for services	822,247	811,825	205,859	200,263	1,028,106	1,012,088	2%
Operating grants & contributions	1,154,751	1,158,314	195,350	193,750	1,350,101	1,352,064	<-1%
Capital grants & contributions	-	-	-	-	-	-	
General Revenues:							
Property taxes	3,548,272	3,499,533	-	-	3,548,272	3,499,533	1%
Income Surtax	427,710	508,627	-	-	427,710	508,627	-16%
Statewide sales & service tax	669,589	640,040	-	-	669,589	640,040	5%
Unrestricted state grants	2,524,300	2,806,919	-	-	2,524,300	2,806,919	-10%
Unrestricted investment earnings	16,768	10,061	41	49	16,809	10,110	66%
Gain on disposal of capital assets	26,163	5,139	4,300	-	30,463	5,139	493%
Other revenue	260,406	8,441	-	-	260,406	8,441	2,985%
Total Revenues	9,450,206	9,448,899	405,550	394,062	9,855,756	9,842,961	<1%
Expenses:							
Instruction	5,235,586	5,160,677	-	-	5,235,586	5,160,677	1%
Support services	2,621,742	2,793,782	-	-	2,621,742	2,793,782	-6%
Non-instructional programs	5,060	2,562	392,599	447,228	397,659	449,790	-12%
Other expenditures	701,777	655,209	-	-	701,777	655,209	7%
Total expenses	8,564,165	8,612,230	392,599	447,228	8,956,764	9,059,458	-1%
Change in net position	886,041	836,669	12,951	(53,166)	898,992	783,503	15%
Net position beginning of year (restated)	1,963,428	5,082,333	(142,420)	24,693	1,821,008	5,107,026	-64%
Net position end of year	2,849,469	5,919,002	(129,469)	(28,473)	2,720,000	5,890,529	-54%

In fiscal year 2015 property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$9,450,206 and expenses were \$8,564,165. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2015	2014 (Not restated)	2015	2014 (Not restated)
	\$	\$	\$	\$
Instruction	5,235,586	5,160,677	3,629,852	3,488,742
Support Services	2,621,742	2,793,782	2,540,961	2,790,962
Non-instructional	5,060	2,562	5,060	2,562
Other Expenses	701,777	655,209	411,294	359,825
TOTAL	8,564,165	8,612,230	6,587,167	6,642,091

For the year ended June 30, 2014

- The cost financed by users of the District's programs was \$822,247. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,154,751.
- The net cost of governmental activities was financed with \$4,645,571 in property and local other taxes and \$2,524,300 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$405,550 and expenses were \$392,599. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, IKM-Manning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,354,090.

Governmental Fund Highlights

- The General Fund balance increased from \$2,112,843 to \$2,321,376.
- The Capital Projects Fund balance increased due to no major building projects with the Fiscal 2014 ended with a balance of \$2,411,744.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$(142,420) restated at June 30, 2014 to \$(129,469) at June 30, 2015, representing a decrease of 9%. The decrease was due to the high cost of produce and the addition of equipment. For fiscal year 2016 the cost of all meals and milk will be raised .05 and the elimination of salary cost due to attrition by retirement and the related expenses for the net OPEB liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

The District's receipts were \$256,360 more than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The District amended the certified budget \$416,703 during the year.

In spite of the District's budgetary practice, the amended certified budget was exceeded in the instructional, support services, and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$2.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$289,496.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
	\$	\$	\$	\$	\$	\$	%
Land	33,100	33,100	-	-	33,100	33,100	0%
Buildings	2,164,759	2,364,513	-	-	2,164,759	2,364,513	-8%
Improvements	233,092	296,751	-	-	233,092	296,751	-21%
Equipment & furniture	276,687	162,581	47,900	58,291	324,587	220,872	47%
TOTAL	2,707,638	2,856,945	47,900	58,291	2,755,538	2,915,236	-5%

Long-Term Debt

At June 30, 2015 the District had \$4,697,625 in revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 29% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District has a bond non-rating attached to it.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The 100% valuation stands at 702,832,299 with a total capacity of \$35.1 million and has an outstanding balance of \$2,117,305, leaving \$33 million in bonding capacity.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2015	2014	2013-2014
	\$	\$	%
Governmental activities:			
Revenue bonds	1,545,000	1,725,000	-10%
Termination benefits	207,233	275,957	-25%
Net pension liability	2,646,899	4,345,571	-39%
Net OPEB liability	207,901	135,973	53%
	<u>4,607,033</u>	<u>6,482,501</u>	<u>-29%</u>
Business type activities:			
Net pension liability	76,248	125,181	-39%
Net OPEB liability	14,344	8,703	65%
	<u>90,592</u>	<u>133,884</u>	<u>-32%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2015 enrollment decreased by 13.10 students. This drop in enrollment will decrease the District's funding for fiscal year 2015. Precautions; due to the uncertainty of the state funding the district will be looking at a negative %new money+growth, along with projects like 1 to 1 at the high school, added STEM curriculum, building of a storage shed, upgrades to the gym, up-grades to door entrance and video surveillance. To pay for these projects, the District will use resources from the Capital Projects and the Physical Plant and Equipment Levy Fund.
- The District will negotiate a new agreement during fiscal 2017. Settlements in excess of %new money+or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Superintendent Dr. Thomas Ward, IKM-Manning Community School District, 209 10th Street, Manning, Iowa, 51455.

BASIC FINANCIAL STATEMENTS

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	5,974,114	21,136	5,995,250
Receivables:			
Property tax:			
Delinquent	39,626	-	39,626
Succeeding year	3,179,579	-	3,179,579
Accounts	275	360	635
Internal balances	45,969	(45,969)	-
Due from other governments	642,724	-	642,724
Inventories	-	2,663	2,663
Capital assets, net of accumulated depreciation	2,707,638	47,900	2,755,538
Total assets	12,589,925	26,090	12,616,015
Deferred Outflows of Resources			
Pension related deferred outflows	19,038	15,561	34,599
Liabilities			
Accounts payable	124,359	-	124,359
Salaries and benefits payable	839,072	30,293	869,365
Long-term liabilities:			
Portion due within one year:			
Termination benefits	74,413	-	74,413
Portion due after one year:			
Revenue bonds payable	1,545,000	-	1,545,000
Termination benefits	132,820	-	132,820
Net pension liability	2,646,899	76,248	2,723,147
Net OPEB liability	207,901	14,344	222,245
Total liabilities	5,570,464	120,885	5,691,349
Deferred Inflows of Resources			
Unavailable property tax revenue	3,179,579	-	3,179,579
Pension related deferred inflows	1,009,451	44,091	1,053,542
Other	-	6,144	6,144
Total deferred inflows of resources	4,189,030	50,235	4,239,265
Net position			
Net investment in capital assets	1,162,638	47,900	1,210,538
Restricted for:			
Categorical funding	331,812	-	331,812
Management levy	265,582	-	265,582
Physical plant and equipment levy	301,701	-	301,701
Student activities	144,019	-	144,019
School infrastructure	2,110,043	-	2,110,043
Debt service	4,136	-	4,136
Unrestricted	(1,470,462)	(177,369)	(1,647,831)
Total net position	2,849,469	(129,469)	2,720,000

See notes to financial statements.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular	3,252,452	445,499	610,473	-
Special	956,049	134,212	18,176	-
Other	1,027,085	164,200	233,174	-
	<u>5,235,586</u>	<u>743,911</u>	<u>861,823</u>	<u>-</u>
Support services:				
Student	174,309	-	-	-
Instructional staff	386,787	-	-	-
Administration	977,111	76,301	-	-
Operation and maintenance of plant	620,171	2,035	-	-
Transportation	463,364	-	2,445	-
	<u>2,621,742</u>	<u>78,336</u>	<u>2,445</u>	<u>-</u>
Non-instructional programs	<u>5,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	113,346	-	-	-
Long-term debt interest	87,670	-	-	-
AEA flowthrough	290,483	-	290,483	-
Depreciation (unallocated)*	210,278	-	-	-
	<u>701,777</u>	<u>-</u>	<u>290,483</u>	<u>-</u>
Total governmental activities	<u>8,564,165</u>	<u>822,247</u>	<u>1,154,751</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	<u>392,599</u>	<u>205,859</u>	<u>195,350</u>	<u>-</u>
Total	<u>8,956,764</u>	<u>1,028,106</u>	<u>1,350,101</u>	<u>-</u>

General Revenues:

Property taxes levied for:

- General purposes
- Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Gain on disposal of capital assets

Other

 Total general revenues

Change in net position

Net position beginning of year (restated)

Net position end of year

*This amount excludes the depreciation that is included in the direct expense of the various programs.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,196,480)	-	(2,196,480)
(803,661)	-	(803,661)
(629,711)	-	(629,711)
<u>(3,629,852)</u>	<u>-</u>	<u>(3,629,852)</u>
(174,309)	-	(174,309)
(386,787)	-	(386,787)
(900,810)	-	(900,810)
(618,136)	-	(618,136)
(460,919)	-	(460,919)
<u>(2,540,961)</u>	<u>-</u>	<u>(2,540,961)</u>
<u>(5,060)</u>	<u>-</u>	<u>(5,060)</u>
(113,346)	-	(113,346)
(87,670)	-	(87,670)
-	-	-
<u>(210,278)</u>	<u>-</u>	<u>(210,278)</u>
<u>(411,294)</u>	<u>-</u>	<u>(411,294)</u>
(6,587,167)	-	(6,587,167)
-	8,610	8,610
<u>(6,587,167)</u>	<u>8,610</u>	<u>(6,578,557)</u>
3,433,655	-	3,433,655
114,617	-	114,617
427,710	-	427,710
669,589	-	669,589
2,524,300	-	2,524,300
16,768	41	16,809
26,163	4,300	30,463
<u>260,406</u>	<u>-</u>	<u>260,406</u>
<u>7,473,208</u>	<u>4,341</u>	<u>7,477,549</u>
886,041	12,951	898,992
<u>1,963,428</u>	<u>(142,420)</u>	<u>1,821,008</u>
<u>2,849,469</u>	<u>(129,469)</u>	<u>2,720,000</u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	General	Capital	Nonmajor	Total
	\$	Projects	Governmental	\$
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	3,044,868	2,306,522	622,724	5,974,114
Receivables:				
Property tax:				
Delinquent	34,176	1,256	4,194	39,626
Succeeding year	2,762,532	117,045	300,002	3,179,579
Accounts	-	-	275	275
Interfund receivable	45,969	-	-	45,969
Due from other governments	538,758	103,966	-	642,724
Total assets	6,426,303	2,528,789	927,195	9,882,287
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	123,892	-	467	124,359
Salaries and benefits payable	833,316	-	5,756	839,072
Total liabilities	<u>957,208</u>	<u>-</u>	<u>6,223</u>	<u>963,431</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,762,532	117,045	300,002	3,179,579
Income surtax	385,187	-	-	385,187
Total deferred inflows of resources	<u>3,147,719</u>	<u>117,045</u>	<u>300,002</u>	<u>3,564,766</u>
Fund balances:				
Restricted for:				
Categorical funding	331,812	-	-	331,812
Debt service	-	-	4,136	4,136
Management levy	-	-	472,815	472,815
Student activities	-	-	144,019	144,019
School infrastructure	-	2,110,043	-	2,110,043
Physical plant and equipment	-	301,701	-	301,701
Unassigned	1,989,564	-	-	1,989,564
Total fund balances	<u>2,321,376</u>	<u>2,411,744</u>	<u>620,970</u>	<u>5,354,090</u>
Total liabilities, deferred inflows of resources and fund balances	6,426,303	2,528,789	927,195	9,882,287

See notes to financial statements.

IKM-MANNINGCOMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

\$

Total fund balances of governmental funds (Exhibit C)

5,354,090

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

2,707,638

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

385,187

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources

19,038

Deferred inflows of resources

(1,009,451)

(990,413)

Long-term liabilities, including bonds payable, special termination benefits, other postemployment benefits payable and net pension liability, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.

(4,607,033)**Net position of governmental activities (Exhibit A)**2,849,469

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital	Nonmajor	Total
	\$	Projects	Governmental	\$
Revenues:				
Local sources:				
Local tax	3,463,992	114,617	375,280	3,953,889
Tuition	456,783	-	-	456,783
Other	190,751	13,387	191,169	395,307
State sources	3,501,359	670,195	2,024	4,173,578
Federal sources	175,062	-	-	175,062
Total revenues	<u>7,787,947</u>	<u>798,199</u>	<u>568,473</u>	<u>9,154,619</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,372,826	-	-	3,372,826
Special	940,535	-	-	940,535
Other	842,902	-	175,016	1,017,918
	<u>5,156,263</u>	<u>-</u>	<u>175,016</u>	<u>5,331,279</u>
Support services:				
Student	173,604	-	-	173,604
Instructional staff	237,319	146,647	-	383,966
Administration	857,763	-	110,179	967,942
Operation and maintenance of plant	498,056	-	113,930	611,986
Transportation	388,339	101,535	17,073	506,947
	<u>2,155,081</u>	<u>248,182</u>	<u>241,182</u>	<u>2,644,445</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>5,060</u>	<u>5,060</u>
Other expenditures:				
Facilities acquisition	-	123,648	-	123,648
Long-term debt:				
Principal	-	-	180,000	180,000
Interest and fiscal charges	-	-	87,670	87,670
AEA flowthrough	290,483	-	-	290,483
	<u>290,483</u>	<u>123,648</u>	<u>267,670</u>	<u>681,801</u>
Total expenditures	<u>7,601,827</u>	<u>371,830</u>	<u>688,928</u>	<u>8,662,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>186,120</u>	<u>426,369</u>	<u>(120,455)</u>	<u>492,034</u>
Other financing sources (uses):				
Sales of equipment	19,913	6,250	-	26,163
Transfers in	2,500	-	267,670	270,170
Transfers out	-	(267,670)	(2,500)	(270,170)
Total other financing sources (uses)	<u>22,413</u>	<u>(261,420)</u>	<u>265,170</u>	<u>26,163</u>
Change in fund balances	208,533	164,949	144,715	518,197
Fund balances beginning of year	<u>2,112,843</u>	<u>2,246,795</u>	<u>476,255</u>	<u>4,835,893</u>
Fund balances end of year	<u>2,321,376</u>	<u>2,411,744</u>	<u>620,970</u>	<u>5,354,090</u>

See notes to financial statements.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2015

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		518,197

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, capital outlay expenditures and gain on disposal of capital assets in the current year are as follows:

Gain on disposal of capital assets	(70,931)	
Expenditures for capital assets	200,729	
Depreciation expense	<u>(279,105)</u>	(149,307)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

22,093

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

180,000

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

394,597

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	68,743	
Pension expense	(76,354)	
Other postemployment benefits	<u>(71,928)</u>	(79,539)

Changes in net position of governmental activities (Exhibit B)

886,041

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2015

	Enterprise Fund School Nutrition \$
Assets	
Current assets:	
Cash and cash equivalents	21,136
Accounts receivable	360
Inventories	2,663
Total current assets	<u>24,159</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>47,900</u>
Total assets	<u>72,059</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>15,561</u>
Liabilities	
Current liabilities:	
Salaries and benefits payable	30,293
Interfund payables	45,969
Deferred revenue	6,144
Total current liabilities	<u>82,406</u>
Noncurrent liabilities:	
Net pension liability	76,248
Net OPEB liability	14,344
Total noncurrent liabilities	<u>90,592</u>
Total liabilities	<u>172,998</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>44,091</u>
Net position	
Investment in capital assets	47,900
Unrestricted	<u>(177,369)</u>
Total net position	<u><u>(129,469)</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2015

	Enterprise Fund School Nutrition \$
Operating revenue:	
Local sources:	
Charges for service	<u>205,859</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	118,934
Benefits	59,963
Purchased services	199
Supplies	202,966
Depreciation	10,391
Other	146
Total operating expenses	<u>392,599</u>
Operating income (loss)	<u>(186,740)</u>
Non-operating revenues:	
State sources	3,512
Federal sources	191,838
Interest income	41
Sale of capital assets	4,300
Total non-operating revenues	<u>199,691</u>
Decrease in net position	12,951
Net position beginning of year	<u>(142,420)</u>
Net position end of year	<u><u>(129,469)</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Enterprise Fund
	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	207,471
Cash paid to employees for services	(188,259)
Cash paid to suppliers for goods or services	(181,728)
Net cash used by operating activities	<u>(162,516)</u>
Cash flows from non-capital financing activities:	
Loans(repaid) from other funds	(1,559)
State grants received	3,512
Federal grants received	170,630
Net cash provided by non-capital financing activities	<u>172,583</u>
Cash flows from capital and related financing activities	
Sale of capital assets	<u>4,300</u>
Cash flows from investing activities:	
Interest on investments	<u>41</u>
Net increase (decrease) in cash and cash equivalents	14,408
Cash and cash equivalents at beginning of year	<u>6,728</u>
Cash and cash equivalents at end of year	<u><u>21,136</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(186,740)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	21,208
Depreciation	10,391
Decrease (increase) in inventories	375
Decrease (increase) in accounts receivable	376
(Decrease) increase in salaries and benefits payable	(5,834)
(Decrease) increase in deferred revenue	1,236
Decrease in net pension liability	(48,933)
Increase in deferred outflows of resources	(4,327)
Increase in deferred inflows of resources	44,091
(Decrease) increase in other postemployment benefits	<u>5,641</u>
Net cash used by operating activities	<u><u>(162,516)</u></u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$21,208 of federal commodities.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash, cash equivalents and pooled investments	121,840
Liabilities	<u>-</u>
Net Position	
Reserved for scholarships	<u><u>121,840</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	Private Purpose Trust Scholarship \$
Additions:	
Local sources:	
Interest	415
Deductions:	
Support services:	
Scholarships awarded	-
Change in net position	415
Net position beginning of year	121,425
Net position end of year	121,840

IKM-Manning COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

IKM-Manning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Manning, Irwin, Kirkman and Manilla, Iowa and the predominately agricultural territory in a portion of Crawford, Audubon, Carroll and Shelby Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, IKM-Manning Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The IKM-Manning Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net Position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund Accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be

susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year

becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments . Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories . Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Improvements other than buildings	20-50
Intangibles	3-10
Furniture and equipment	5-20

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of

unrecognized items net yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences . District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amended amounts budgeted in the instructional, non-instructional and other expenditures functions.

2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General	Nonmajor Enterprise School Nutrition	45,969

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental Debt Service	Capital Projects Fund	267,670
General Fund	Management Fund	2,500

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases & Reclassifications	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	33,100	-	-	33,100
Capital assets being depreciated:				
Buildings	7,452,097	-	86,589	7,365,508
Improvements other than buildings	801,503	10,302	68,368	743,437
Furniture and equipment	1,479,450	190,427	(84,027)	1,753,904
Total capital assets being deprec.	9,733,050	200,729	70,930	9,862,849

Less accumulated depreciation for:				
Buildings	5,087,584	185,843	72,678	5,200,749
Improvements other than buildings	504,752	24,435	18,842	510,345
Furniture and equipment	1,316,869	68,827	(91,521)	1,477,217
Total accumulated depreciation	<u>6,909,205</u>	<u>279,105</u>	<u>(1)</u>	<u>7,188,311</u>
Total capital assets being depreciated, net	<u>2,823,845</u>	<u>(78,376)</u>	<u>70,931</u>	<u>2,674,538</u>
Governmental activities capital assets, net	<u>2,856,945</u>	<u>(78,376)</u>	<u>70,931</u>	<u>2,707,638</u>
Business type activities:				
Furniture and equipment	143,457	-	-	143,457
Less accumulated depreciation	<u>85,166</u>	<u>10,391</u>	<u>-</u>	<u>95,557</u>
Business type activities capital assets, net	<u>58,291</u>	<u>(10,391)</u>	<u>-</u>	<u>47,900</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	8,330
Support services:	
Administration	1,412
Operation and maintenance of plant	2,544
Transportation	<u>56,541</u>
	68,827
Unallocated depreciation	<u>210,278</u>
Total depreciation expense . governmental activities	<u>279,105</u>
Business type activities:	
Food services	<u>10,391</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	1,725,000	-	180,000	1,545,000	-
Termination benefits	275,957	13,378	82,102	207,233	74,413
Net pension liability	4,345,571	-	1,698,672	2,646,899	-
Net OPEB liability	<u>135,973</u>	<u>71,928</u>	<u>-</u>	<u>207,901</u>	<u>-</u>
Total	<u>6,482,501</u>	<u>85,306</u>	<u>1,960,774</u>	<u>4,607,033</u>	<u>74413</u>

Business type activities:

Net pension liability	125,181	-	48,933	76,248	-
Net OPEB liability	8,703	5,641	-	14,344	-
	<u>133,884</u>	<u>5,641</u>	<u>48,933</u>	<u>90,592</u>	<u>-</u>
Total					

Termination Benefits

The District offered a voluntary early retirement plan to its employees in fiscal year 2013. Eligible employees must have completed at least twenty years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which the employee resigned. The application for early retirement is subject to approval by the Board of Education.

The District will pay for single plan health insurance until the retiree reaches age 65.

At June 30, 2015, the District has obligations to 11 participants with a total liability of \$207,233. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$82,102.

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	4.10	-	3,363	3,363
2017	4.25	50,000	5,363	55,363
2018	4.45	50,000	3,488	53,488
2019	4.75	50,000	1,188	51,188
		<u>150,000</u>	<u>13,402</u>	<u>163,402</u>

Year Ending June 30,	Bond Issue of June 2008			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	4.90	-	2,000	2,000
2017	5.00	100,000	2,000	102,000
		<u>100,000</u>	<u>4,000</u>	<u>104,000</u>

Year Ending June 30,	Bond Issue of May 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016		-	34,848	34,848
2017		-	69,695	69,695
2018	4.90	100,000	67,245	167,245
2019	5.00	100,000	62,295	162,295
2020	5.10	100,000	57,245	157,245
2021-2025	5.20-5.50	510,000	206,554	716,554
2026-2029	5.55-5.70	485,000	56,724	541,724
		<u>1,295,000</u>	<u>554,606</u>	<u>1,849,606</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in May 2008, June 2008 and May 2009. The bonds were issued for the purpose of financing infrastructure costs. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,117,008. For the current year, \$180,000 of principal and \$87,670 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$669,589.

7. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement. Death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$405,964.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$2,723,147 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.068664 percent, which was a decrease of 0.009201 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$78,533. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	29,595	-
Changes in assumptions	120,179	-
Net difference between projected and actual earnings on pension plan investments	-	1,053,542
Change in proportion and differences between District contributions and proportionate share of contributions	(521,139)	-
District contributions subsequent to the measurement date	405,964	-
Total	34,599	1,053,542

\$405,964 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	\$
2016	169,358
2017	169,358
2018	169,358
2019	169,358
2020	(25,279)
Total	652,153

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These

ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100	

Discount Rate . The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%) \$	Discount Rate (7.5%) \$	1% Increase (8.5%) \$
District proportionate share of the net pension liability	5,145,310	2,723,147	678,591

Pension Plan Fiduciary Net Position . Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at www.ipers.org.

Payables to the Pension Plan . At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 110 active and 10 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy . The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	94,507
Interest on net OPEB obligation	3,617
Adjustment to annual required contribution	(6,811)
Annual OPEB cost	91,313
Contributions made	(13,744)
Increase in net OPEB obligation	77,569
Net OPEB obligation beginning of year	144,676
Net OPEB obligation end of year	222,245

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$13,744 to the medical plan. Plan members eligible for benefits contributed \$40,310, or 100% of the premium costs not covered by early retirement benefits.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
Combined IKM and Manning Districts			
2010	61,769	17	51,119
2011	63,076	17	103,513
IKM-Manning District			
2012	58,389	100	103,513
2013	22,337	239	72,543
2014	106,569	32	144,676
2015	91,313	15	222,245

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$563,367, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$563,367. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,367,000, and the ratio of the UAAL to covered payroll was 12.9%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$290,483 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
	\$
Home school assistance	31,283
Dropout prevention	68,738
At risk	4,376
Limited English proficiency	11,114
Mentoring	434
Teacher salary supplement	42,038
Educator quality, professional development	7,045
Gifted and talented	57,225
Early readers	35,442
Teacher leadership	5,338
Core curriculum	68,779
	<u>331,812</u>

12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state of local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	5,919,002	(28,473)
Net pension liability at June 30, 2014	(4,345,571)	(125,181)
Deferred outflows of resources		
Related to contributions made after the June 30, 2013 measurement date	389,997	11,234
Net position July 1, 2014, as restated	<u>1,963,428</u>	<u>(142,420)</u>

REQUIRED SUPPLEMENTARY INFORMATION

IKM-MANNING COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original	Final Amended	\$
Revenues:						
Local sources	4,805,979	205,900	5,011,879	5,395,501	5,395,501	(383,622)
State sources	4,173,578	3,512	4,177,090	3,559,008	3,559,008	618,082
Federal sources	175,062	191,838	366,900	345,000	345,000	21,900
Total revenues	<u>9,154,619</u>	<u>401,250</u>	<u>9,555,869</u>	<u>9,299,509</u>	<u>9,299,509</u>	<u>256,360</u>
Expenditures/Expenses:						
Instruction	5,331,279	-	5,331,279	4,575,100	4,955,100	(376,179)
Support services	2,644,445	-	2,644,445	2,518,297	2,550,000	(94,445)
Non-instructional programs	5,060	392,599	397,659	415,000	420,000	22,341
Other expenditures	681,801	-	681,801	668,068	668,068	(13,733)
Total expenditures/expenses	<u>8,662,585</u>	<u>392,599</u>	<u>9,055,184</u>	<u>8,176,465</u>	<u>8,593,168</u>	<u>(462,016)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	492,034	8,651	500,685	1,123,044	706,341	(205,656)
Other financing sources (uses) net	<u>26,163</u>	<u>4,300</u>	<u>30,463</u>	<u>-</u>	<u>-</u>	<u>30,463</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	518,197	12,951	531,148	1,123,044	706,341	(175,193)
Balance beginning of year	<u>4,835,893</u>	<u>(142,420)</u>	<u>4,693,473</u>	<u>5,699,547</u>	<u>5,699,547</u>	<u>(1,006,074)</u>
Balance end of year	<u><u>5,354,090</u></u>	<u><u>(129,469)</u></u>	<u><u>5,224,621</u></u>	<u><u>6,822,591</u></u>	<u><u>6,405,888</u></u>	<u><u>(1,181,267)</u></u>

See accompanying independent auditor's report

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District amended its certified budget \$416,703 for the year.

During the year ended June 30, 2015, expenditures exceeded the amended amounts budgeted in the instructional, support services and other expenditures functions.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.068664%
District's proportionate share of the net pension liability	2,723,147
District's covered-employee payroll	4,550,015
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.85%
Plan fiduciary net position as a percentage of the total pension liability	87.67%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 4 Fiscal Years*

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
	\$	\$	\$	\$
Statutorily required contribution	405,964	401,231	442,768	373,287
Contributions in relation to the statutorily required contribution	<u>405,964</u>	<u>401,231</u>	<u>442,768</u>	<u>373,287</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	4,546,070	4,493,081	5,106,897	4,625,617
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.
- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
Combined Manning and IKM Districts							
2010	July 1, 2009	-	550,631	550,631	0.0%	3,699,000	14.9%
2011	July 1, 2009	-	551,561	551,561	0.0%	5,410,000	10.2%
IKM-Manning District							
2012	July 1, 2011	-	654,287	654,287	0.0%	5,426,599	12.1%
2013	July 1, 2012	-	684,769	684,769	0.0%	4,715,000	14.5%
2014	July 1, 2012	-	618,104	618,104	0.0%	4,308,000	14.3%
2015	July 1, 2012	-	563,367	563,367	0.0%	4,367,000	12.9%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

Assets	Management Levy	Student Activity	Debt Service	Total
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	474,844	143,744	4,136	622,724
Receivables:				
Property tax:				
Delinquent	4,194	-	-	4,194
Succeeding year	300,002	-	-	300,002
Accounts	-	275	-	275
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	779,040	144,019	4,136	927,195
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities, Deferred Inflows of Resources & Fund Balances				
Liabilities:				
Accounts payable	467	-	-	467
Salaries and benefits payable	5,756	-	-	5,756
Total liabilities	<u>6,223</u>	<u>-</u>	<u>-</u>	<u>6,223</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	<u>300,002</u>	<u>-</u>	<u>-</u>	<u>300,002</u>
Fund balances:				
Restricted for:				
Debt service	-	-	4,136	4,136
Management levy	472,815	-	-	472,815
Student activities	-	144,019	-	144,019
Total fund balances	<u>472,815</u>	<u>144,019</u>	<u>4,136</u>	<u>620,970</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	779,040	144,019	4,136	927,195
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Management Levy	Student Activity	Debt Service	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	375,280	-	-	375,280
Other	28,282	162,449	438	191,169
State sources	2,024	-	-	2,024
Total revenues	<u>405,586</u>	<u>162,449</u>	<u>438</u>	<u>568,473</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	175,016	-	175,016
Support services:				
Administration services	110,179	-	-	110,179
of plant services	113,930	-	-	113,930
Transportation services	17,073	-	-	17,073
Non-instructional programs	5,060	-	-	5,060
Other expenditures:				
Long-term debt:				
Principal	-	-	180,000	180,000
Interest and fiscal charges	-	-	87,670	87,670
Total expenditures	<u>246,242</u>	<u>175,016</u>	<u>267,670</u>	<u>688,928</u>
Excess (deficiency) of revenues over (under) expenditures	159,344	(12,567)	(267,232)	(120,455)
Other financing sources (uses):				
Transfers in	-	-	267,670	267,670
Transfers out	(2,500)	-	-	(2,500)
Total other financing sources (uses)	<u>(2,500)</u>	<u>-</u>	<u>267,670</u>	<u>265,170</u>
Change in fund balance	156,844	(12,567)	438	144,715
Fund balances beginning of year	<u>315,971</u>	<u>156,586</u>	<u>3,698</u>	<u>476,255</u>
Fund balances end of year	<u>472,815</u>	<u>144,019</u>	<u>4,136</u>	<u>620,970</u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	2,006,077	300,445	2,306,522
Receivables:			
Property tax:			
Delinquent	-	1,256	1,256
Succeeding year	-	117,045	117,045
Due from other governments	103,966	-	103,966
Total assets	2,110,043	418,746	2,528,789
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	117,045	117,045
Fund balances:			
Restricted for:			
School infrastructure	2,110,043	-	2,110,043
Physical plant and equipment	-	301,701	301,701
Total fund balances	2,110,043	301,701	2,411,744
Total liabilities, deferred inflows of resources and fund balances	2,110,043	418,746	2,528,789

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	114,617	114,617
Other	5,571	7,816	13,387
State sources	669,589	606	670,195
Total revenues	<u>675,160</u>	<u>123,039</u>	<u>798,199</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	146,647	146,647
Transportation services	101,535	-	101,535
Other expenditures:			
Facilities acquisition	8,259	115,389	123,648
Total expenditures	<u>109,794</u>	<u>262,036</u>	<u>371,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>565,366</u>	<u>(138,997)</u>	<u>426,369</u>
Other financing sources (uses):			
Sale of real property	-	6,250	6,250
Transfers out	(267,670)	-	(267,670)
Total other financing sources (uses)	<u>(267,670)</u>	<u>6,250</u>	<u>(261,420)</u>
Change in fund balance	297,696	(132,747)	164,949
Fund balances beginning of year	<u>1,812,347</u>	<u>434,448</u>	<u>2,246,795</u>
Fund balance end of year	<u><u>2,110,043</u></u>	<u><u>301,701</u></u>	<u><u>2,411,744</u></u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Manila Center					
Basketball/junior high	-	55	742	687	-
Football/junior high	-	1,580	2,891	1311	-
Track/junior high	-	327	578	251	-
Volleyball/junior high	-	-	385	385	-
Concessions/junior high	930	3,195	2,345	-	1,780
Annual	1,327	2,900	2,209	-	2,018
Student council-MS	3,480	1,408	2,034	-	2,854
	<u>5,737</u>	<u>9,465</u>	<u>11,184</u>	<u>2,634</u>	<u>6,652</u>
Manning Center					
HS drama	10,933	10,375	8,598	-	12,710
Cross country	-	-	784	784	-
Cheerleaders	236	5,597	4,784	-	1,049
HS basketball	13,904	11,167	10,696	-	14,375
HS football	-	10,288	10,458	170	-
HS track	1,800	1,340	8,250	5,110	-
Baseball	-	5,011	5,138	127	-
Volleyball	601	3,358	1,675	(385)	1,899
Softball	-	4,230	4,294	64	-
Co-ed golf	-	450	996	546	-
HS concessions	8,721	11,902	11,412	-	9,211
HS activity tickets	28,735	11,228	5,735	(6,581)	27,647
Class of 2012	5,768	237	3,419	(2,565)	21
Class of 2013	307	13,553	11,058	-	2,802
Class of 2014	156	168	-	-	324
Class of 2019	-	108	-	-	108
HS FFA	32,439	44,696	58,223	-	18,912
Interest	465	444	1,004	96	1
HS pop machine	4,838	1,472	442	-	5,868
HS student council	18,124	5,512	8,401	-	15,235
HS yearbook	21,380	10,525	7,409	-	24,496
Elementary year-book	2,442	1,323	1,056	-	2,709
	<u>150,849</u>	<u>152,984</u>	<u>163,832</u>	<u>(2,634)</u>	<u>137,367</u>
Total	<u>156,586</u>	<u>162,449</u>	<u>175,016</u>	<u>-</u>	<u>144,019</u>

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2015	2014	2013	2012
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,953,889	4,013,334	4,299,569	4,658,945
Tuition	456,783	500,485	508,946	349,253
Other	395,307	336,090	334,826	376,191
State sources	4,173,578	4,440,251	4,192,160	4,600,531
Federal sources	175,062	158,773	170,295	202,341
Total revenues	<u>9,154,619</u>	<u>9,448,933</u>	<u>9,505,796</u>	<u>10,187,261</u>
Expenditures:				
Instruction:				
Regular	3,372,826	3,295,557	3,474,949	3,565,194
Special	940,535	895,349	905,985	958,627
Other	1,017,918	1,018,024	1,004,573	1,145,275
Support services:				
Student	173,604	160,452	177,978	143,462
Instructional staff	383,966	298,037	385,399	413,462
Administration	967,942	1,082,014	1,018,915	996,619
Operation and maintenance	611,986	733,544	775,435	768,273
Transportation	506,947	533,764	449,429	560,159
Non-instructional programs	5,060	2,562	-	-
Other expenditures:				
Facilities acquisition	123,648	54,078	64,078	68,330
Long-term debt:				
Principal	180,000	260,000	275,000	275,000
Interest and other charges	87,670	97,950	108,400	116,246
AEA flowthrough	290,483	289,135	279,684	280,916
Total expenditures	<u>8,662,585</u>	<u>8,720,466</u>	<u>8,919,825</u>	<u>9,291,563</u>

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
IKM-Manning Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of IKM-Manning Community School District and of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IKM-Manning Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IKM-Manning Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of IKM-Manning Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 15-I-A and 15-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IKM-Manning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

IKM-Manning Community School District's Responses to the Findings

IKM-Manning Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. IKM-Manning Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of IKM-Manning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 27, 2016

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- 15-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal adjusting entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 15-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

15-II-A Certified Budget: Expenditures for the year ended June 30, 2015, exceeded the amended certified budget amounts budgeted in the instructional, non-instructional and other expenditures functions.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

15-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

15-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

15-II-D Business Transactions: We noted no transactions between the District and District officials or employees.

15-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

15-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

15-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

15-II-H Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

15-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

15-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

IKM-MANNING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

15-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

15-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		1,812,347
Revenues/transfers in:		
Statewide sales, services and use tax revenue	669,589	
Other local revenues	5,571	675,160
	<u> </u>	<u> </u>
Expenditures/transfers out:		
School infrastructure construction	109,794	
Transfers to debt service fund	267,670	377,464
	<u> </u>	<u> </u>
Ending balance		<u><u>2,110,043</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

15-II-M Deficit Balances: The School Nutrition Fund has an unrestricted net assets deficit of \$177,369 at June 30, 2015.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.